



Domestic Support in Developing Countries:

A View through the WTO Lens

David Orden

IPC Plenary Meeting

Sao Paulo, October 2010

Based on the forthcoming book:

WTO Disciplines on Agricultural Support:

Seeking a Fair Basis for Trade

David Orden, David Blandford and Tim Josling, editors

Cambridge University Press, Spring 2011

WTO Disciplines on Agricultural Support

- **Our project evaluates the many compliance (legal) and evaluation (institutional and economic) issues related to WTO disciplines on domestic support over a 14-year period (1995 – 2008) since the Agreement on Agriculture came into effect**
 - **Projects the analysis forward under the Agreement or a possible Doha outcome**
 - **14 authors provide focused analysis:**
 - L. Brink (WTO structure, negotiations, rules and disputes); T. Josling and A. Swinbank (EU); D. Blandford and D. Orden (US); Y. Godo and D. Takahashi (Japan); I. Gaasland. R. Garcia and E. Vardal (Norway); A. Nassar (Brazil); M. Gopinath (India); F. Cheng (China); and C. Cororaton (Philippines)**
 - **Yields insights related to 7 inter-related questions:**
-

Key Issues in the Analysis

Have the notifications

- **Shown compliance with countries' commitments**
- **Contributed to greater international transparency about support policies and levels of support**
- **Provided accurate and meaningful measurements of the support given to farmers**
- **Tracked accurately changes in the nature of domestic support policies**

Have the WTO disciplines

- **Contributed to reform of agricultural policies and reduction of trade distortions**
- **Contributed to policy convergence among countries**

To what extent would the proposed (2008) Doha disciplines provide tighter constraints on trade-distorting domestic support and more substantial incentives for policy reform

Organization of the Analysis

Part 1: The Institutional Setting and WTO Disciplines on Domestic Support

Part 2: Developed Countries: Has High Support Come Down?

Part 3: Developing Countries: Will Low Levels of Support Rise?

Part 4: The Difficult Task of Disciplining Domestic Support

Today, we focus on the Developing Countries in this overall context

Developing Countries Domestic Support

Addressed in two ways:

What have been the levels and trends in domestic support as notified to the WTO by developing countries?

What is their latitude for support under the Agreement and 2008 Doha draft proposals?

Transparency

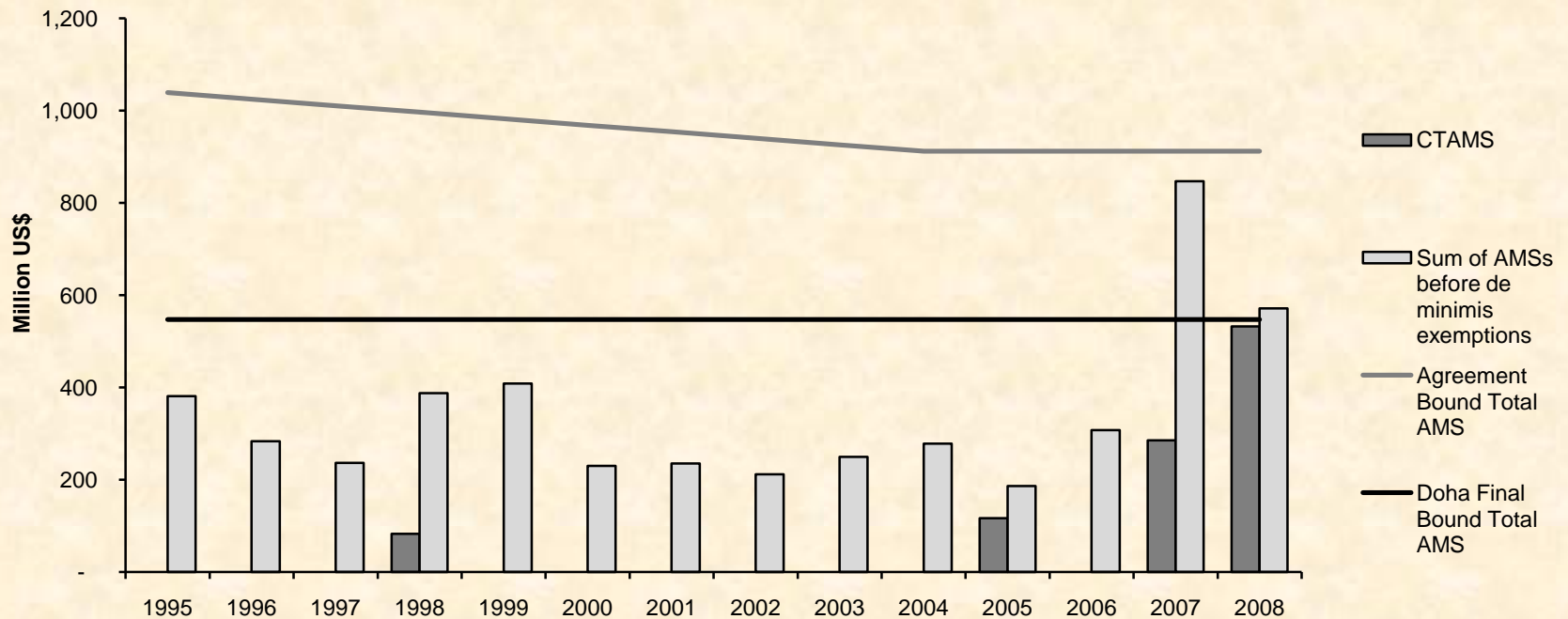
- **Notifications by developing countries have been marked by substantial delays. As of mid 2010:**
 - **No notifications past 2004 from China, India or the Philippines**
 - **India last notified for 1996 and 1997 in 2002**
 - **China did not notify for 2002–04 until March 2010;
Brazil for 2005 and 2006 in April 2010**

 - **Delayed notifications put a heavy burden on our brave analysts**
-

Compliance

- **Our analysis suggests the developing countries have little to hide. Not surprisingly, they have not had difficulty complying with their WTO domestic support commitments.**
- **Structure of domestic support disciplines is similar for developed and developing countries**
- **Most developing countries effectively have a zero ceiling commitment on Current Total AMS**
 - **A result of providing little support in UR 1986–88 base period (or from interpreting the guidelines to calculate little support was provided)**
- **An exception among our countries of focus is Brazil**

Brazil's Product-Specific AMS Support



Source: Nassar in *WTO Disciplines on Agricultural Support*, Forthcoming 2011

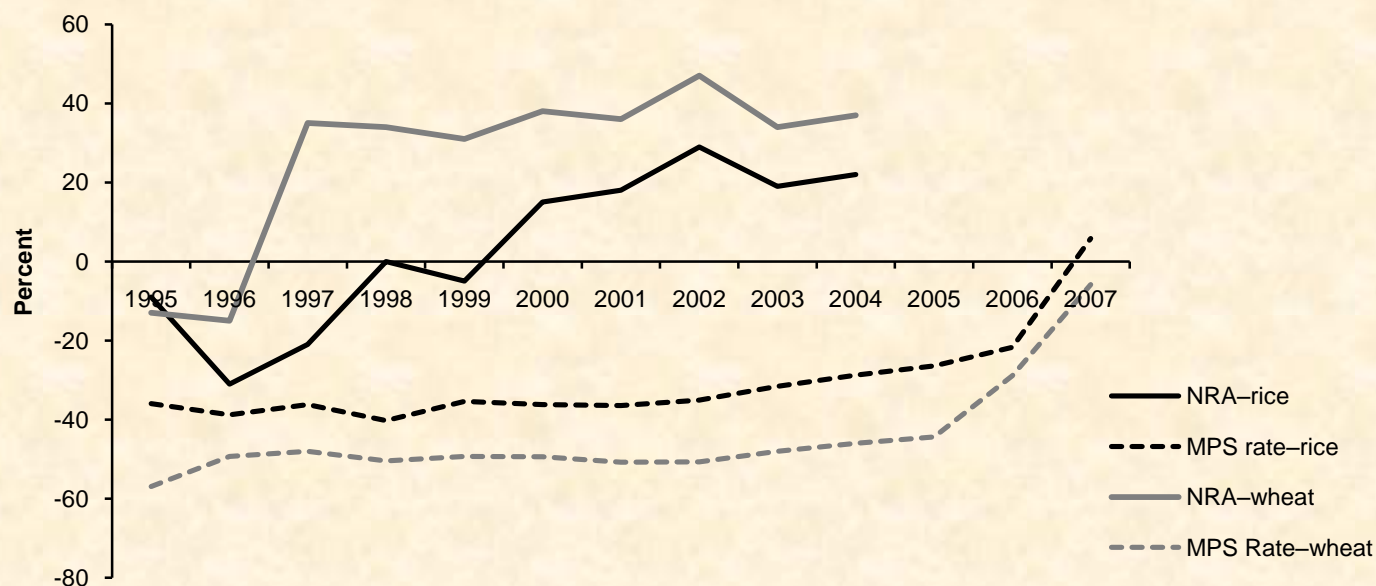
De Minimis Disciplines

- **Without a positive Bound Total AMS, the *de minimis* thresholds are the disciplines on AMS support**
 - **At most 10% of value of production for product-specific and non-product-specific AMS**
- **This has a significant implication: these countries are precluded from providing the high spikes of product-specific AMS support that has been so controversial for certain products in certain developed countries**
- **The *de minimis* disciplines are expressed in terms of percent of value of production, which is also a nice metric for making comparisons across years and among countries**

Compliance of *De Minimis* AMS Support

- **Product-specific AMS support as notified or calculated in shadow notifications for China and India has been:**
 - Concentrated on a few products (wheat and rice, and also corn in China)
 - Mostly negative or zero
 - In aggregate only a small percentage in absolute value of the total value of production (averages of -1.1% and -2.7%)
 - Increasing in recent years: shadow values of zero for China and 0.14% of total value of production (US\$0.2 billion) for India in 2008
- **Product-specific AMS support as notified/shadow calculated for the Philippines has been:**
 - Concentrated on rice
 - Positive in all years
 - Always less than 4% of rice value of production
 - Highest as percent of rice production value in 2008 and 2009

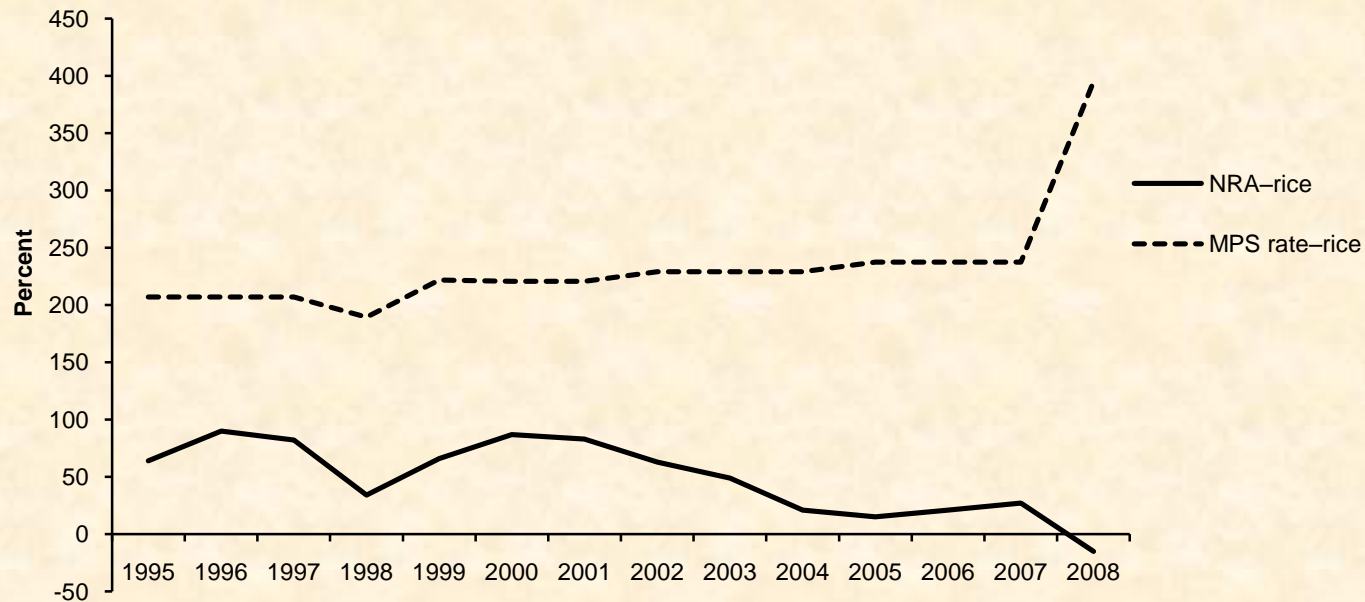
Measurement of product-specific AMS support is fraught with the problems of WTO MPS



India's MPS rate versus Nominal Protection

Source: Gopinath in *WTO Disciplines on Agricultural Support*, Forthcoming 2011

Philippines MPS rate versus Nominal Protection



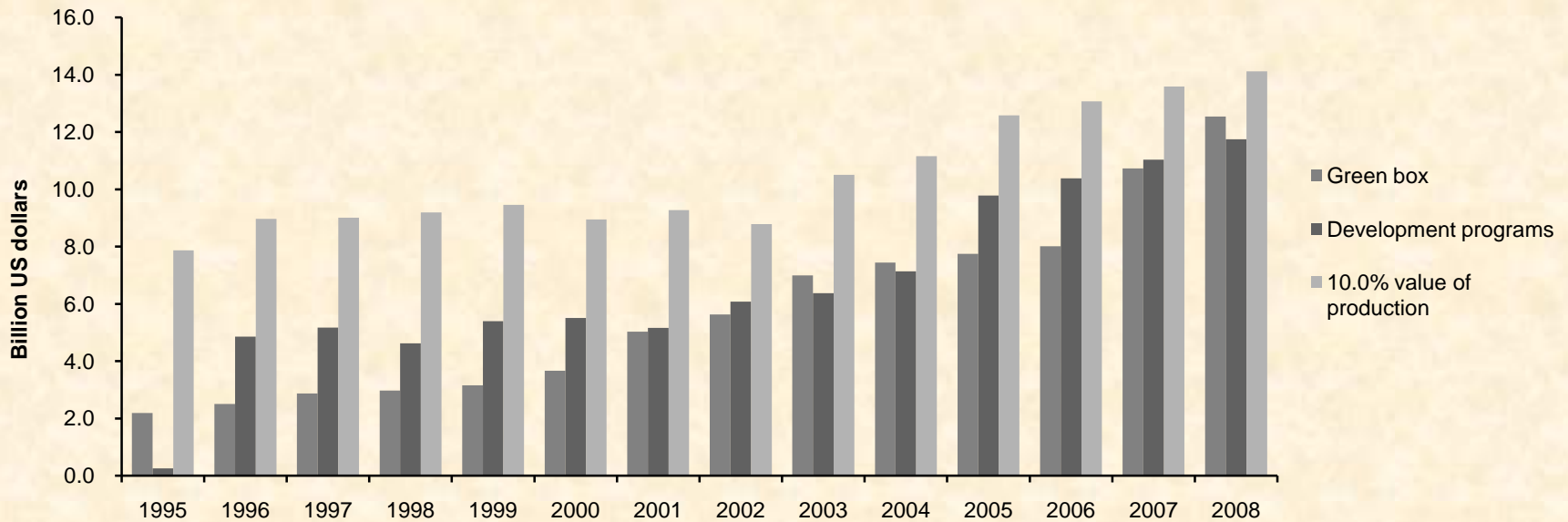
Source: Cororaton in *WTO Disciplines on Agricultural Support*, Forthcoming 2011

Non-product-specific support: *De minimis*

AMS and Development Programs

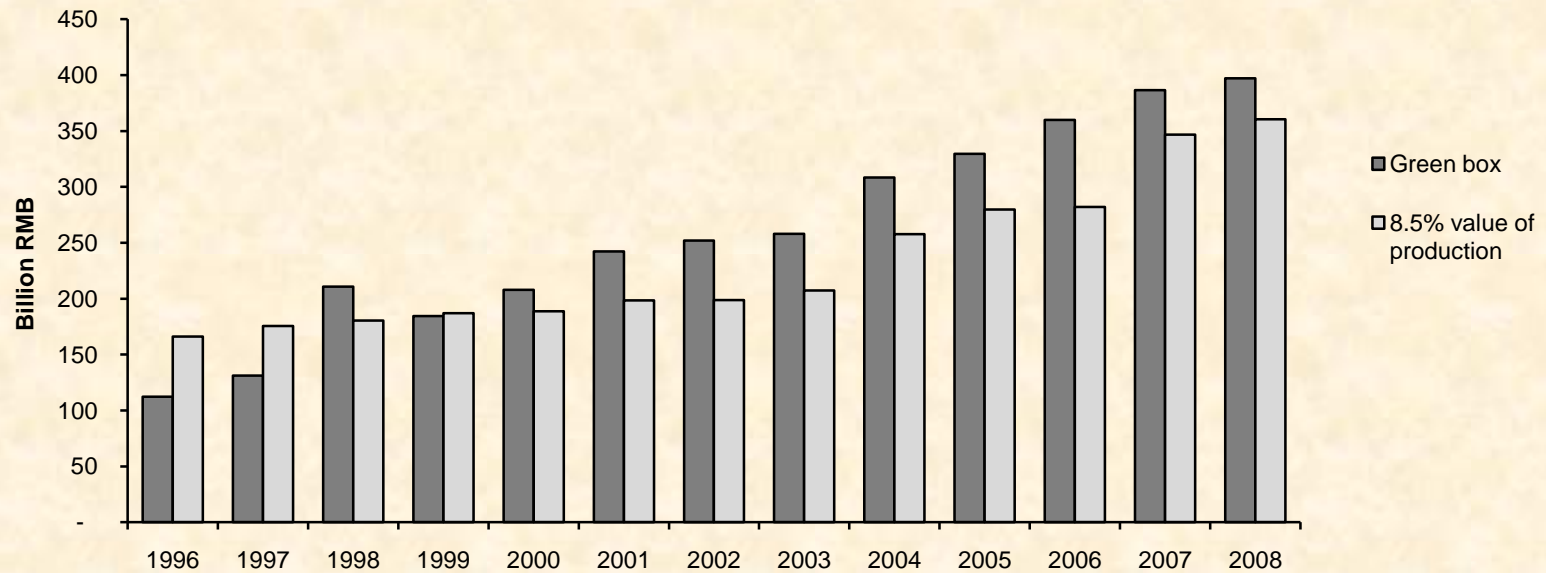
- **Non-product-specific AMS support as notified or calculated in shadow notifications for Brazil, China, India and the Philippines has:**
 - **Averaged less than 2% of total value of production**
(Brazil 1.5%; China 0.4%; India 0.9%; Philippines 0%)
 - **Shown an increasing trend for Brazil, but not for China or India**
 - **Development program non-product-specific support as notified/shadow calculated for Brazil and the Philippines (China ineligible) has:**
 - **Averaged less than 1% of total value of production**
(Brazil 0.8%; Philippines 0.6%)
 - **Shown no trend**
 - **Only in India do we observe higher levels of development program support**
-

India's Development Program and Green Box Support



Source: Gopinath in *WTO Disciplines on Agricultural Support*, Forthcoming 2011

China's Green Box Support



Source: Cheng in *WTO Disciplines on Agricultural Support*, Forthcoming 2011

Projected Support and Doha Disciplines

Doha ceilings give substantial latitude for distorting support

	Brazil		India		China		Philippines	
	Projection	Ceiling	Projection	Ceiling	Projection	Ceiling	Projection	Ceiling
	<i>Billion US dollars</i>		<i>Billion US dollars</i>		<i>Billion RMB</i>		<i>Billion pesos</i>	
Green box	2.3		22.1		522.0		25.1	
Development programs	0.7		13.5		–	–	6.2	
OTDS	2.0	8.3	8.4	25.6	164.3	584.4	8.5	117.2
Blue box	–	2.4	–	5.1	–	116.9	–	23.4
Current Total AMS	–	0.6	–	–	–	–	–	–
<i>Total de minimis</i>	2.0		8.4		164.3		8.5	
Product-specific	0.3	5.3	6.8	17.7	73.2	444.1	8.5	191.0
Non-product-specific	1.7	5.3	1.7	17.7	91.1	444.1	–	191.0
Total support	5.0		44.0		686.3		39.8	
Total value of production	78.7		177.2		5,224.9		1,910.0	

Hypothetical Alternative Measurements: Brazil as a Developed Country

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
	<i>Million US dollars</i>													
Total Bound AMS	1,018.1	983.0	947.9	912.8	877.7	842.6	842.6	842.6	842.6	842.6	842.6	842.6	842.6	842.6
Current Total AMS	175.0	40.6	33.2	86.8	35.1	55.3	52.1	0.0	0.1	54.3	117.0	82.7	285.9	532.8
Non-product-specific AMS support														
Nominal value	377.3	349.1	350.9	478.1	993.9	1,132.2	1,071.4	1,196.3	1,563.6	1,245.0	1,819.4	2,107.2	1,875.9	3,121.2
As share of value of production (%)	0.7	0.6	0.6	0.8	2.5	2.6	2.8	3.2	3.5	2.3	3.6	3.6	2.4	3.1

Source: Nassar in *WTO Disciplines on Agricultural Support*, Forthcoming 2011

Developing Countries in Context

Conclusions (synopsis) for Developed Countries Under the Agreement

- **AMS limits have not effectively impinged on US domestic support programs; could do so in low price period or if (fixed) direct payments have to be reclassified**
- **Reforms in EU have been undertaken with more consideration of WTO limits; plenty of room under present obligations**
- **Changes in Japanese policy apparently undertaken by desire to avoid limits; but changes largely cosmetic**
- **Norway constantly struggling to stay within limits; mainly because of little change to its MPS policies**

Developing Countries in Context

Conclusions (synopsis) for Developed Countries Under the Doha (2008) Proposals

- **Doha limits would put considerable restraints on EU policy after 2016, preventing any slippage back to price supports**
- **Traditional types of US countercyclical policies would be constrained but changes to other domestic measures could give leeway, so Doha might not in itself force change**
- **Japan can live with Doha cuts in domestic support limits, but might also move to green box policies**
- **Doha limits would force Norway to cut administered price levels, but it could shift to green box and other taxpayer financed payments to continue support to farmers**

Domestic Support in Developing Countries:

A View through the WTO Lens

IPC Plenary Meeting

Sao Paulo, September 2010
